

Message Text

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ORIGIN TRSE-00

INFO OCT-01 ARA-06 EUR-12 EA-07 ISO-00 SP-02 USIA-06
AID-05 EB-08 NSC-05 SS-15 STR-04 OMB-01 CEA-01 PRS-01
CIAE-00 INR-07 NSAE-00 SSO-00 NSCE-00 INRE-00 IGA-02
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DRAFTED BY TREAS:OASIA:ADDRESS:CMR
APPROVED BY EB/IFD:EHPREEG
TREAS:OASIA:BZINMAN
ARA/ECP:SROGERS
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FM SECSTATE WASHDC
TO AMEMBASSY ASUNCION IMMEDIATE
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AMEMBASSY BRASILIA IMMEDIATE
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AMEMBASSY MEXICO IMMEDIATE
AMEMBASSY OTTAWA IMMEDIATE
AMEMBASSY TOKYO IMMEDIATE

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E.O. 11652:N/A

TAGS:EAID, EFIN
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SUBJECT:REVIEW OF IDB OPERATING POLICIES
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1. PLEASE DELIVER THE FOLLOWING LETTER TO GOVERNOR OF THE
IDB FOR HOST COUNTRY. FYI THIS CABLE BEING SENT TO EACH
GOVERNOR WHO IS MEMBER OF COMMITTEE OF BOARD OF GOVERNORS.

END FYI AND BEGIN UNCLASSIFIED.

2. QUOTE:

DEAR MR. MINISTER:

I AM LOOKING FORWARD TO JOINING YOU AS A MEMBER OF THE COMMITTEE OF BOARD OF GOVERNORS OF THE INTER-AMERICAN DEVELOPMENT BANK. IN MY CAPACITY AS GOVERNOR DESIGNATE, I WANT TO REQUEST YOUR SUPPORT ON AN ISSUE CRUCIAL TO ALL MEMBERS OF THE BANK.

I UNDERSTAND THAT THE BOARD OF DIRECTORS OF THE BANK IS NOW CLOSE TO COMPLETING WORK ON SEVERAL SIGNIFICANT POLICY CHANGES AND PREPARING TO NOTIFY THE COMMITTEE OF THE BOARD OF GOVERNORS OF ACTIONS IT IS TAKING TO RESPOND TO RESOLUTION AG-5/76 PASSED BY THE BOARD OF GOVERNORS AT THE ANNUAL MEETING LAST YEAR.

MY GOVERNMENT IS INITIATING A THOROUGH REVIEW OF OPERATIONAL POLICIES AND PROCEDURES OF THE IDB AS WELL AS THOSE OF OTHER INTERNATIONAL LENDING INSTITUTIONS IN WHICH WE ARE A MEMBER. IN TESTIMONY BEFORE THE CONGRESS, I HAVE INDICATED THAT THIS REVIEW WILL BE UNDERTAKEN AS SOON AS POSSIBLE. SINCE THE CARTER ADMINISTRATION HAS NOT HAD SUFFICIENT OPPORTUNITY TO CONSIDER THESE ISSUES, I REQUEST YOUR CONCURRENCE IN A THIRTY-DAY POSTPONEMENT UNTIL APRIL 18 FOR COMPLETION OF THE BOARD'S REPORT. FURTHERMORE, I URGE THAT NO CHANGES BE MADE IN THE PRACTICES, PROCEDURES, OR POLICIES OF THE BANK AS A RESULT OF THE LIMITED OFFICIAL USE

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DIRECTORS' CONSIDERATION OF SUBJECTS CONTAINED IN THE REPORT UNTIL ALL GOVERNORS HAVE RECEIVED AND CONSIDERED ITS RECOMMENDATIONS.

I ASK FOR YOUR SUPPORT IN THIS EFFORT BECAUSE I BELIEVE THAT A REVIEW OF THE KIND I HAVE OUTLINED WILL INCREASE THE EFFICIENCY OF THE BANK AND ASSIST US IN MAKING THE MOST EFFECTIVE PRESENTATION TO OUR CONGRESS.

I AM SENDING SIMILAR LETTERS TO THE OTHER MEMBERS OF THE COMMITTEE OF THE BOARD OF GOVERNORS. I WOULD GREATLY APPRECIATE A CABLE REPLY TO THIS LETTER.

SINCERELY YOURS,

W. MICHAEL BLUMENTHAL
SECRETARY OF THE TREASURY

END UNCLASSIFIED AND QUOTE.

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FYI. AT THE ANNUAL MEETING LAST YEAR THE BOARD OF GOVERNORS INSTRUCTED THE EXECUTIVE DIRECTORS TO STUDY AND REVISE BANK POLICIES RELATING TO:

- INTERNATIONAL PUBLIC BIDDING;
- THE USE OF LOCAL CURRENCIES HELD BY THE BANK AND THE EFFECTS OF EXCHANGE RISK;
- THE DETERMINATION OF DIRECT AND INDIRECT IMPORT COMPONENTS OF PROJECTS;
- FINANCING OF LOCAL COSTS;
- PROVISION FOR COST OVERRUNS.

THIS REVIEW WAS A LATIN AMERICAN INITIATIVE MOTIVATED BY THE DESIRE OF THE MEX;CANS, ARGENTINES, AND BRAZILIANS TO LIMITED OFFICIAL USE

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MAXIMIZE OPPORTUNITIES TO SECURE FOREIGN EXCHANGE FROM THE BANK. THE U.S. APPROACH HAS BEEN TO HOLD THE LINE AGAINST THE EFFORTS OF THESE WEALTHIER COUNTRIES TO ALTER THE BANK'S RULES TO THEIR ADVANTAGE.

OVER THE PAST SEVERAL MONTHS THE EXECUTIVE DIRECTORS HAVE BEEN CONSIDERING A SERIES OF PAPERS ON THESE ISSUES PREPARED BY BANK MANAGEMENT. TREASURY HAS BEEN WORKING CLOSELY WITH THE U.S. EXECUTIVE DIRECTOR ON THE U.S. POSITION CONCERNING THESE ISSUES. WHILE THERE WERE SOME POINTS OF DISAGREEMENT WITH THE LATIN AMERICAN MEMBERS, THE DISCUSSIONS HAD BEEN PROGRESSING CONSTRUCTIVELY.

LED BY THE BRAZILIAN DIRECTOR, THE LATIN MEMBERS ;ERP NOW PRESSING VERY HARD TO COMPLETE THE REPORT BY MARCH 15 -- THE LATEST DEADLINE -- WE INSTRUCTED OUR ALTERNATE EXECUTIVE DIRECTOR TO ANNOUNCE AT THE BOARD ON MARCH 15 THAT THE UNITED STATES INTENDED TO REQUEST A 30-DAY POSTPONEMENT TO GIVE TIME TO REVIEW THE ISSUES. IT IS PARTICULARLY IMPORTANT FOR US TO HAVE AN INPUT INTO THIS POLICY REVIEW GIVEN OUR ASSURANCES TO CONGRESS THAT WE WOULD EXAMINE THE LENDING AND ADMINISTRATIVE POLICIES OF THE INTERNATIONAL DEVELOPMENT BANKS. END FYI.

VANCE

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Message Attributes

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Copy: SINGLE
Sent Date: 17-Mar-1977 12:00:00 am
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Decaption Note:
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Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
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Review Media Identifier:
Review Release Date: n/a
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Review Transfer Date:
Review Withdrawn Fields: n/a
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Status: NATIVE
Subject: REVIEW OF IDB OPERATING POLICIES -
TAGS: EAID, EFIN, PORG, IDB
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